

**COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION**

**FISCAL NOTE**

L.R. No.: 1248-05  
Bill No.: SCS for SB 416  
Subject: Education, Higher; Veterans; Education, Elementary and Secondary; Gambling;  
Children and Minors; National Guard.  
Type: Original  
Date: April 3, 2003

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Veterans' Commission Capital Improvement Trust	\$4,000,000	\$4,000,000	\$4,000,000
National Guard Trust	\$1,000,000	\$1,000,000	\$1,000,000
Early Childhood Development, Education and Care *	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Part of this loss would be passed through to local school districts.

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Local Government *</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Part of the loss to the state Early Childhood Development, Education and Care Fund would be passed through to local school districts.

### FISCAL ANALYSIS

#### ASSUMPTION

Officials from the **Missouri Veterans' Commission** assume this proposal would result in an annual increase to the Veterans' Commission Capital Improvement Trust Fund (VCCITF) of \$4 million to an unknown amount.

Officials from the **Department of Higher Education (CBH)** state that since \$4.5 million is currently transferred from the Gaming Commission Fund to the College Guarantee Fund, CBH assumes there is no net fiscal change resulting from this legislation.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this proposal would result in a loss of funding to the Early Childhood Development, Education and Care Fund (ECDEC) and a opposite increase in funding to the VCCITF and the Missouri National Guard Trust Fund. DESE stated that \$42,246,595 was distributed from the Gaming Commission Fund in FY 2002.

ASSUMPTION (continued)

DESE stated that the difference between what was received into the funds during FY 2002 and what would have been received under this proposal is:

Fund	FY 2002 actual	Per this proposal	Difference
VCCITF	\$ 3,000,000	\$ 7,000,000	\$ 4,000,000
Missouri National Guard Trust	\$ 3,000,000	\$ 4,000,000	\$ 1,000,000
Missouri College Guarantee	\$ 4,500,000	\$ 4,500,000	\$ 0
ECDEC	<u>\$31,746,595</u>	<u>\$26,746,595</u>	<u>(\$5,000,000)</u>
Totals	<u>\$42,246,595</u>	<u>\$42,246,595</u>	<u>\$ 0</u>

DESE states that monies deposited into the ECDEC fund are appropriated to DOS and DESE. Of the first 60% appropriation, 20% goes to DOS and 80% goes to DESE. DESE uses the ECDEC monies to fund First Steps, Parents as Teachers, and DESE school linked programs. A \$5 million reduction in the amount of annual deposits into the ECDEC fund would mean a reduction of \$2,400,000 (i.e. \$5 million x 60% x 80%) per year to these programs.

Officials from the **Missouri Gaming Commission (GAM)** stated this bill would change the procedure of distributing net proceeds of the Gaming Commission Fund. The bill would have no direct fiscal impact on the Gaming Commission, but would affect other state funds as follows:

	Transfers FY 2002	Projected Transfers	Net Effect
Veterans' Comm. CI Trust	\$ 3,000,000	\$ 7,000,000	\$4,000,000
Mo National Guard Trust	\$ 3,000,000	\$ 4,000,000	\$1,000,000
Mo College Guarantee Fund *	\$ 4,500,000	\$ 4,500,000	\$ 0
Early Childhood Devel., Ed.	<u>\$31,266,434</u>	<u>\$26,266,434</u>	<u>(\$5,000,000)</u>
TOTAL	<u>\$41,766,434</u>	<u>\$41,766,434</u>	<u>\$ 0</u>

\*Although the MO College Guarantee Fund would receive the same total distribution as in FY 2002, under this bill, it would receive the distribution earlier in the fiscal year before the distribution to Early Childhood Development, Education and Care Fund.

GAM assumed the bill would result in an additional \$4 million distribution to the VCCITF as well as an additional \$1 million to the National Guard Trust Fund. The distribution to the ECDECF would

ASSUMPTION (continued)

decrease by the same amount as the increase to the other two funds.

Officials from the **Department of Social Services (DOS)** state the proposal would decrease the funding to the ECDEC by \$5 million that now would go to the Veterans' Commission Capital Improvement Trust Fund and the National Guard Trust Fund, as well as an additional \$1.5 million that would now go to the Missouri College Guarantee Trust Fund. Therefore, DOS estimates a decrease in funding to ECDEC to be at least \$6.5 million.

In addition, instead of transferring the remaining net proceeds into the ECDEC Fund, this bill proposes to split any remaining net proceeds, exceeding \$27 million, equally between the ECDECF and the VCCITF, thereby further reducing the amount transferred to the ECDECF by 50%.

DOS states that without replacement funding, this proposal would decrease their ability to fund four grant programs that receive this money, including start-up / expansion grants for early childhood programs, certificates to low income families for early childhood education, subsidies for accredited facilities, and certificates to enable low income stay at home parents, with children under age 3, to take advantage of early childhood education programs.

Based on the anticipated loss of \$6.5 million to the ECDEC fund, DOS estimates a loss of \$2.73 million to the various programs that they administer with these proceeds.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the following estimate is based upon FY 2002 transfers from the Gaming Commission Fund. BAP also states that all ECDECF funds have been appropriated in past fiscal years. Therefore, should this measure pass, it will be necessary for a substantial pick-up of costs by the general revenue fund if the various early childhood programs are to continue.

Base distr Per this bill	Dist of net proceeds > \$27 mil.	Total distr. per this bill	Actual FY'02 transfers	Variance
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VCCITF	7,000,000	0	7,000,000	3,000,000	\$4,000,000
MNGTF	4,000,000	0	4,000,000	3,000,000	\$1,000,000
MCGF	4,500,000	0	4,500,000	4,500,000	\$ 0
ECDEC	26,266,434	0	26,266,434	31,266,434	(\$5,000,000)

ASSUMPTION (continued)

Officials from the **Department of Public Safety - Office of the Adjutant General** state this proposal will be of no cost to their office, but will bring some relief to the Military Honors program as well as the Tuition Assistance Program.

**Oversight** assumes that the correct interpretation of “remaining net proceeds” is the proceeds remaining in the Gaming Commission Fund **after** the distributions to the Missouri College Guarantee Fund (\$4,500,000), the Veterans’ Commission Capital Improvement Trust Fund (\$7,000,000), and the Missouri National Guard Trust Fund (\$4,000,000). In FY 2002, the amount transferred to these three funds plus the ECDEC fund, according to the Gaming Commission annual report, was \$41,766,434. Therefore, there would not have been remaining net proceeds over \$27 million (\$41,766,434 - \$4.5 million - \$7 million - \$4 million = \$26,266,434). However, if additional proceeds are collected into this fund in future years, the VCCITF would receive half of the remaining net proceeds over \$27 million in addition to the \$7 million they receive in the initial distributions. For purposes of this fiscal note, Oversight assumes the proceeds into the Gaming Commission Fund will remain stable.

**Oversight** assumes any positive fiscal impact realized by the VCCITF and the National Guard Trust Fund as a result of this proposal would be offset by a reduction to the ECDEC Fund. This would result in a net zero impact to state funds, however, the local school districts would realize a decrease in funding from the proposal. Oversight has not reflected this loss at the local level. Oversight also assumes this proposal would not fiscally impact the Missouri College Guarantee Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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**VETERANS’ COMMISSION  
 CAPITAL IMPROVEMENT TRUST  
 FUND**

<u>Income</u> - Increased distribution from the Gaming Commission Fund	<u>\$4,000,000</u>	<u>\$4,000,000</u>	<u>\$4,000,000</u>
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**ESTIMATED NET EFFECT TO THE  
 VETERANS' COMMISSION  
 CAPITAL IMPROVEMENT TRUST  
 FUND**

<u><b>\$4,000,000</b></u>	<u><b>\$4,000,000</b></u>	<u><b>\$4,000,000</b></u>
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**MISSOURI NATIONAL GUARD  
 TRUST FUND**

Income - Increased distribution from the  
 Gaming Commission Fund

<u><b>\$1,000,000</b></u>	<u><b>\$1,000,000</b></u>	<u><b>\$1,000,000</b></u>
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**ESTIMATED NET EFFECT TO THE  
 MISSOURI NATIONAL GUARD  
 TRUST FUND**

<u><b>\$1,000,000</b></u>	<u><b>\$1,000,000</b></u>	<u><b>\$1,000,000</b></u>
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**EARLY CHILDHOOD  
 DEVELOPMENT, EDUCATION AND  
 CARE FUND**

Loss - More of the proceeds from the  
 Gaming Commission Fund being  
 allocated to the VCCITF and MNGTF

<u><b>(\$5,000,000)</b></u>	<u><b>(\$5,000,000)</b></u>	<u><b>(\$5,000,000)</b></u>
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**ESTIMATED NET EFFECT TO THE  
 EARLY CHILDHOOD  
 DEVELOPMENT, EDUCATION AND  
 CARE FUND**

<u><b>(\$5,000,000)</b></u>	<u><b>(\$5,000,000)</b></u>	<u><b>(\$5,000,000)</b></u>
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FISCAL IMPACT - Local Government

FY 2004  
 (10 Mo.)

FY 2005

FY 2006

**\$0**

**\$0**

**\$0**

FISCAL IMPACT - Small Business

RAS:LR:OD (12/02)

No direct fiscal impact to small businesses would be expected as a result of this proposal.

## DESCRIPTION

Currently, 3 million dollars are transferred annually from the Gaming Commission Fund to the Veterans' Commission Capital Improvement Trust Fund. This proposal increases from \$3 million to \$7 million the annual amount transferred from the Gaming Commission Fund to the Veterans' Commission Capital Improvement Trust Fund.

Currently, the Missouri College Guarantee Fund annually receives 3 million dollars from the Gaming Commission Fund and an extra \$1.5 million if the remaining net proceeds of the Fund (which is distributed to the Early Childhood Development, Education and Care Fund) exceed twenty-seven million. This proposal alters the distribution of the Gaming Commission Fund by annually awarding the Missouri College Guarantee Fund \$4.5 million and deleting the provision which allocates the extra \$1.5 million.

Currently, 3 million dollars are transferred annually from the Gaming Commission Fund to the Missouri National Guard Trust Fund. This proposal increases from \$3 million to \$4 million the annual amount transferred from the Gaming Commission Fund to the Missouri National Guard Trust Fund.

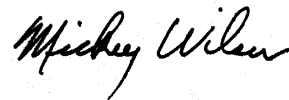
Further, the proposal formulates a new means of distributing the fund. Currently, the remaining net proceeds of the Gaming Commission Fund (after funding the administrative costs of the Commission and appropriations to the Compulsive Gamblers Fund and Community Neighborhood Organization Programs) are distributed concurrently to the Veterans' Commission Capital Improvement Trust Fund, the Missouri National Guard Trust Fund, and the Missouri College Guarantee Fund. Under the provisions of this proposal, the Missouri College Guarantee Fund will receive the first portion of the distribution, the Veterans' Commission Capital Improvement Trust Fund will receive the second portion of the distribution, and the Missouri National Guard Trust Fund will receive the third portion of the distribution.

Lastly, the proposal specifies that when the remaining net proceeds in the Gaming Commission Fund annually exceeds 27 million dollars, any amount of the remaining net proceeds which exceeds 27 million dollars shall be divided evenly between the Early Childhood Development, Education and Care Fund and the Veterans' Commission Capital Improvement Trust Fund.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Department of Social Services  
Department of Higher Education  
Missouri Gaming Commission  
Missouri Veterans' Commission  
Office of Administration - Budget and Planning  
Department of Public Safety - Office of the Adjutant General



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